

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

EB-07 OMB-01 FRB-03 TRSE-00 XMB-02 SIL-01 LAB-04 /079 W

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R 120823Z SEP 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3273

INFO AMEMBASSY SEOUL

C O N F I D E N T I A L TOKYO 12883

E.O. 11652: GDS

TAGS: EAID JA KS EINV

SUBJ: JAPANESE ECONOMIC ASSISTANCE TO KOREA

REF: TOKYO 12352

SUMMARY: FOLLOWING WORKING LEVEL AID TALKS IN TOKYO LAST WEEK, FONOFF EXPECTS OFFICIAL ROK REQUEST FOR NEW JAPANESE OFFICIAL DEVELOPMENT ASSISTANCE AMOUNTING TO 240 MILLION DOLLARS. FONOFF FEELS, HOWEVER, THAT 80 TO 100 MILLION DOLLARS WOULD BE APPROPRIATE LEVEL FOR 1975 COMMITMENTS. ADDITIONALLY, GOJ HAS DECIDED TO PROVIDE SOME 400 MILLION DOLLARS IN MIXED EXIM--CITY BANK CREDITS, ON COMMERCIAL TERMS, TO SUPPORT FOUR KOREAN PROJECTS DURING PERIOD 1975-78. END SUMMARY.

1. ON SEPTEMBER 11 FONOFF REP (SEZAKI, DEPUTY DIRECTOR, FIRST ECONOMIC COOPERATION DIVISION) BRIEFED EMBOFF ON LATEST GOJ THINKING RE ADDITIONAL ECONOMIC ASSISTANCE TO KOREA IN WAKE OF LAST WEEK'S WORKING LEVEL TALKS IN TOKYO. HIS MAIN POINTS WERE AS FOLLOWS:

2. GOJ NOW EXPECTS ROK TO PRESENT OFFICIAL REQUEST FOR NEW JAPANESE ODA COMMITMENTS ON ORDER OF 240 MILLION DOLLARS FOLLOWING UPCOMING MINISTERIAL MEETING, PROBABLY IN LATE SEPTEMBER OR EARLY OCTOBER. REQUEST IS EXPECTED  
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TO INCLUDE FOLLOWING SPECIFIC ITEMS: A) 50 MILLION DOLLARS FOR SMALL SCALE IRRIGATION PROJECTS; B) 45 (MILLION DOLLARS FOR TELECOMMUNICATIONS; C) 50 MILLION DOLLARS FOR PROMOTION OF EXPORT INDUSTRIES;

D) 35 MILLION DOLLARS FOR RAILWAY DOUBLE TRACKING;  
AND, E) 60 MILLION DOLLARS FOR SEOUL SUBWAY SECOND  
PHASE CONSTRUCTION.

3. GOJ'S INITIAL REACTION TO THE EXPORT INDUSTRY PRO-  
MOTION REQUEST IS QTE VERY NEGATIVE UNQTE. GOJ ALSO  
FEELS THAT A SURVEY OF THE SUBWAY PROJECT MUST BE  
CONDUCTED BEFORE ANY COMMITMENT CAN BE MADE, AND HOPES  
TO SEND A SURVEY TEAM TO THE ROK NEXT YEAR. THESE TWO  
PROJECTS WILL THEREFORE BE DROPPED FROM CONSIDERATION  
NOW; THE REMAINING THREE WILL BE STUDIED BY THE GOJ,  
BUT THIS DOES NOT MEAN THEY WILL BE AUTOMATICALLY  
APPROVED BY THE JAPANESE SIDE. FONOFF'S PRESENT  
THINKING IS THAT JAPANESE ODA COMMITMENTS TO ROK IN  
1975 SHOULD BE IN 80 TO 100 MILLION DOLLAR RANGE.

4. IN ADDITION, GOJ HAS DECIDED TO PROVIDE ON COMMERICAL  
TERMS MIXED EXIM BAND AND CITY BANK CREDITS TO SUPPORT  
FOLLOWING FOUR PROJECTS SELECTED FROM LIST OF ELEVEN  
PROJECTS WHICH HAD EARLIER BEEN SUBMITTED BY ROK TO  
GOJ (LISTED TOGETHER WITH PRIORITY RANKING ASSIGNED  
BY ROK ON SAID LIST): A) POHAN STEEL MILL  
(330 MILLION DOLLARS--PRIORITY 2); B) PUMPED STORAGE  
POWER PLANT (55 MILLION DOLLARS--3); C) SEWAGE PROCESSING  
PLANT, SEOUL (5.6 MILLION DOLLARS--5); AND, D) STYRENE  
MONOMER PLANT (17 MILLION DOLLARS--7). TOTAL AMOUNT  
OF LOANS FOR THESE PROJECTS IS 406.5 MILLION DOLLARS,  
WHICH IS EXPECTED TO BE DISBURSED DURING PERIOD 1975-78.  
SEZAKI EXPLAINED THAT THE MANNER IN WHICH THE GOJ APPROVES  
OR REJECTS PROJECTS WHICH ARE TO BE IMPLEMENTED BY  
PRIVATE JAPANESE ENTERPRISES ON COMMERCIAL TERMS IS BY  
SELECTING THOSE FOR WHICH MITI WILL WRITE EXPORT INSURANCE.  
MITI'S EXPORT INSURANCE IS IN TURN NECESSARY FOR EXIM  
BANK FINANCING.

5. REMAINING SEVEN PROJECTS IN ORIGINAL ROK LIST WERE  
AS FOLLOWS: A) YOSU PETROCHEMICAL COMPLEX (312 MILLION--1);  
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B) SPECIAL STEEL PLANT (8.8 MILLION--4); C) JOOK DO  
MEDIUM SHIPYARD (26.9 MILLION--6); D) PTA PLANT (55  
MILLION--8); E) SAMSUNG ANI SHIPYARD (113.3 MILLION--9);  
F) YOUNGDONG THERMAL POWER PLANT (50 MILLION--10); AND,  
G) A.N. MONOMER PLANT (27.5 MILLION--11). THESE ITEMS  
REMAIN UNDER STUDY. THE ROK PRIORITY ONE PROJECT, YOSU  
PETROCHEMICAL PROJECT, WAS DROPPED AFTER MITI FOLLOWING MITSUI'S  
BRIEFING, CONCLUDED PROJECT WAS "IMMATURE"  
AT THIS TIME. MITSUI REPORTED THIS SETBACK TO THE ROK  
EMBASSY TOKYO, WHICH WAS NONPLUSSED BECAUSE PRESIDENT  
PARK IS ESPECIALLY INTERESTED IN THIS PROJECT AND HAS  
INSTRUCTED HIS SUBORDINATES TO OBTAIN GOJ SUPPORT FOR  
IT. ROK HAS REQUESTED JAPANESE RECONSIDERATION OF THE

PROJECT.

6. FONOFF ANTICIPATES A DISCUSSION IN GENERAL TERMS OF FUTURE JAPANESE ECONOMIC ASSISTANCE TO ROK WILL TAKE PLACE AT MINISTERIAL. ROK WOULD LIKE AT LEAST A TACIT UNDERSTANDING RE FUTURE JAPANESE ASSISTANCE LEVELS TO BE REACHED, BUT FONOFF DOES NOT WISH TO COMMIT GOJ AND DOES NOT EXPECT ANY COMMITMENT TO BE MADE OR MENTIONED IN JOINT COMMUNIQUE, BEYOND POSSIBLE VAGUE REFERENCE TO JAPANESE SUPPORT FOR KOREAN INFRASTRUCTURE (INCLUDING AGRICULTURE) DEVELOPMENT AS PART OF THIRD ROK FIVE YEAR PLAN. AS WORKING LEVEL, FONOFF HOPES TO COMPLETE TALKS ON NEW ODA LOANS WITHIN THIS CALENDAR YEAR.

7. COMMENT. PROJECTS SELECTED TO BENEFIT FROM MITI EXPORT INSURANCE AND, THUS, EXIM FINANCING, REFLECT JAPANESE SENSITIVITIES DURING TIME OF RECESSION TO POSSIBLE COMPETITION FROM NEW INDUSTRIES IN KOREA. NEVERTHELESS, PROSPECTIVE NEW JAPANESE ODA NAD COMMERICAL CREDIT COMMITMENTS TO ROK, THOUGH FALLING SHORT OF LEVELS DESIRED BY ROK, INDICATE CONTINUING JAPANESE ASSISTANCE AT SUBSTANTIAL LEVEL TO ECONOMIC DEVELOPMENT OF ROK. END COMMENT.  
HODGSON

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